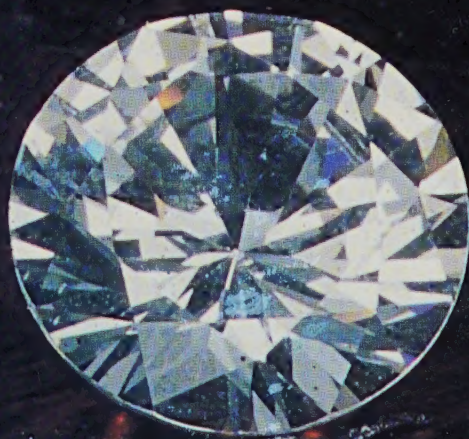



AR13



**Peoples<sup>+</sup>**  
**1979 ANNUAL**  
**REPORT**  
PEOPLES JEWELLERS LIMITED





Digitized by the Internet Archive  
in 2023 with funding from  
University of Alberta Library

[https://archive.org/details/Peop0667\\_1979](https://archive.org/details/Peop0667_1979)

# Peoples Jewellers Limited

## Directors

Bertrand Gerstein  
Chairman

Marvin Gerstein  
Vice-chairman

\* Irving R. Gerstein

\* Sydney M. Hermant

\* Robert A. Kingston, Q.C.

Phyllis M. McAllister

\* member of audit committee

## Officers

Bertrand Gerstein  
Chairman of the board

Marvin Gerstein  
Vice-chairman

Irving R. Gerstein  
President

Donald E. Bridgman  
Vice-president, store planning

Phyllis M. McAllister  
Secretary

Frederick E. Metter  
Vice-president, merchandising

Derek C. Penney  
Vice-president, store operations

James T. Roddy  
Vice-president, finance &  
corporate development

Alan W. Southard  
Vice-president, corporate services

---

Peoples Jewellers U.S., Inc.,  
Marvin S. Rubin,  
President.

## Head office

181 Yonge Street, Toronto, Canada

## Transfer agent

Guaranty Trust Company of Canada  
88 University Avenue, Toronto, Canada

# Peoples Jewellers Limited

## Two hundred and sixty-three stores

As at August 31, 1979

### CANADA

	Peoples stores	Guild stores	Total
<b>BRITISH COLUMBIA</b>			
Abbotsford	1	1	2
Campbell River	1		1
Chilliwack	1		1
Cranbrook	1	1	2
Kamloops	1		1
Kelowna	1		1
Langley	1		1
Nanaimo	1		1
Penticton	1		1
Port Alberni	1		1
Prince George	2	1	3
Trail	1		1
Vancouver	7	7	14
Vernon	1		1
Victoria	2		2
	23	10	33
<b>ALBERTA</b>			
Calgary	7	7	14
Edmonton	10	7	17
Fort McMurray	1		1
Lethbridge	2	1	3
Red Deer	1	1	2
	21	16	37
<b>SASKATCHEWAN</b>			
Moose Jaw	2		2
Prince Albert	2		2
Regina	3	2	5
Saskatoon	4	1	5
	11	3	14
<b>MANITOBA</b>			
Winnipeg	7	2	9
<b>ONTARIO</b>			
Barrie	1		1
Belleville	1	1	2
Brantford	1	1	2
Brockville	1		1
Chatham	1		1
Hamilton/Burlington	4	3	7
Kingston	2		2
Kitchener/Waterloo	2	1	3
London	2	2	4
Niagara Falls	1	1	2
New Liskeard	1		1
Oshawa	1		1
Ottawa/Hull	5	3	8
Peterborough	1	1	2
Sarnia	1		1
Sault Ste. Marie	1	1	2
Sudbury	2		2
Thunder Bay	2	2	4
Tillsonburg	1		1
Timmins	1	1	2
Toronto	22	14	36
Welland	1	1	2
Windsor	3	2	5
Woodstock	1		1
	59	34	93

### QUEBEC

	Peoples stores	Guild stores	Total
Chicoutimi	1		1
Granby	1		1
Montreal	15	2	17
Quebec City	4	1	5
Shawinigan	1		1
Sherbrooke	1	1	2
Tracy	1		1
	24	4	28

### NEW BRUNSWICK

	Peoples stores	Guild stores	Total
Atholville	1		1
Fredericton	1		1
Moncton	4	1	5
Saint John	4		4
	10	1	11

### NOVA SCOTIA

	Peoples stores	Guild stores	Total
Bedford	1		1
Bridgewater	1		1
Dartmouth	2	1	3
Douglstown	1		1
Halifax	3	3	6
New Glasgow	1		1
Sydney	1		1
Truro	1	1	2
	11	5	16

### PRINCE EDWARD ISLAND

	Peoples stores	Guild stores	Total
Charlottetown	1		1

### NEWFOUNDLAND

	Peoples stores	Guild stores	Total
Carbonear	1		1
St. John's	2		2
	3		3

CANADIAN TOTAL	170	75	245
----------------	-----	----	-----

### UNITED STATES

#### CALIFORNIA

	Peoples stores	Guild stores	Total
Modesto			1
Oakland			1
San Francisco			2
San Jose			1
Stockton			1
			6

#### UTAH

	Peoples stores	Guild stores	Total
Logan			1
Ogden			1
Orem			1
Salt Lake City			5
			8

#### MONTANA

	Peoples stores	Guild stores	Total
Billings			3
Missoula			1
			4

UNITED STATES TOTAL			18
TOTAL			263



## Directors' report to the shareholders



I am pleased to report that the year ended August 31, 1979, our sixtieth year in business, recorded the highest ever sales and profit results of the Company.

Sales for the year were \$104,838,000 as compared with \$85,268,000 the previous year — an increase of 23%. Pre-tax income was \$14,062,000 as compared with \$9,625,000 — an increase of 46%. Net income for the year was \$7,655,000 as compared with \$5,317,000 — an increase of 44%. Earnings per share were \$2.34 as compared with \$1.74. Working capital increased \$9,483,000 to \$34,789,000. The greater part of earnings continued to be retained for re-investment in the future development of the Company.

Although the U.S. Division in total did not make a contribution to earnings during the past year, I am more than pleased with the progress that has been made in this operation. All of the stores have been remerchandised during the year and operating and control standards which have been successful in our Canadian business have been established. Furthermore, considerable attention has been given

to developing an organization of merchandising and operations people capable not only of managing the existing business but of managing the growth planned in the future. While the U.S. stores operated profitably during the year, this was offset by significant one-time start-up costs along with the interest on U.S. borrowings which resulted in a small loss for the year.

Physical growth continued during the year, with the opening of seventeen stores in Canada and four stores in the United States. Six stores were closed during the year in Canada. At August 31, 1979, there were a total of 263 stores open, 245 in Canada and 18 in the United States. Since year end, we have opened five stores in Canada, two in the United States and a further two stores are planned to open in the United States this year. Twenty-four stores are planned to open in 1980, twelve in Canada and twelve in the United States.

In my last annual report, I announced the special dividend of \$1.25 per share as well as a rights offering which allowed shareholders to purchase 1 Class A share at \$12.50 for every 10 shares of Common and/or Class A shares they owned. I am pleased to report that some 92% of the rights were exercised, which returned some \$3.5 million to the Company's treasury.

Several changes have occurred in the capital structure of the Company during the year as outlined in the notes to the accompanying financial statements. The most recent change occurred on August 30, 1979, when shareholders approved the continuance of the Company under the Canada Business Corporations Act and by Articles of Continuance authorized an unlimited number of Common, Class A and Junior Preferred shares and the creation of a class of First Preferred shares.

At a Directors' Meeting held on January 19, 1979, the quarterly

dividend was increased from 10¢ to 12¢ on the Common and Class A shares, the sixth increase in dividends since 1970. At the Directors' Meeting on April 10, 1979, the Peoples Jewellers Optional Stock Dividend Plan was approved. This plan provides the Company's shareholders the opportunity to elect to receive stock dividends instead of cash dividends when granted the right to do so by the Directors. In this connection, the stock dividends were paid in Junior Preferred shares, which shares were immediately redeemed.

The thanks of the Company is extended to the more than 2,500 employees who have contributed to the successful results for the year. Based on the continued contribution of these employees, sound merchandising plans for this coming year and the results of operations for the first two months of this year, I am again confident that sales and profit growth will continue.

Respectfully submitted on behalf of the Board.

A handwritten signature in blue ink that reads "Bertrand Gerstein".

BERTRAND GERSTEIN  
Chairman of the Board

Toronto, Canada  
October 26, 1979



# Peoples Jewellers Limited

(incorporated under the laws of Canada)

## Consolidated balance sheet

(000's omitted)

	August 31, 1979	August 31, 1978
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 3,403	\$ 78
Accounts receivable	562	448
Merchandise (note 1(b))	61,373	49,913
Prepaid expenses	527	704
<b>Total current assets</b>	<b>65,865</b>	<b>51,143</b>
<b>Loans to employees (note 2)</b>	<b>553</b>	<b>504</b>
<b>Investment in Torcred Developments Limited (note 1 (a))</b>	<b>433</b>	<b>430</b>
<b>Fixed Assets (note 1 (c))</b>		
Buildings	3,538	3,742
Furniture, fixtures and automobiles	17,874	16,227
<b>Total — at cost</b>	<b>21,412</b>	<b>19,969</b>
<b>Less: Accumulated depreciation</b>	<b>9,460</b>	<b>8,281</b>
	11,952	11,688
Land, at cost	1,508	1,599
Leasehold interests and improvements, at cost less amortization	8,294	7,708
<b>Total fixed assets</b>	<b>21,754</b>	<b>20,995</b>
<b>Deferred foreign exchange loss</b>	<b>315</b>	<b>190</b>
	\$88,920	\$73,262

On behalf of the Board  
Bertrand Gerstein, Director  
Marvin Gerstein, Director

(The accompanying notes are an integral part of these statements)

# Peoples Jewellers Limited

	August 31, 1979	August 31, 1978
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank indebtedness	\$12,761	\$ 9,059
Accounts payable	10,642	11,828
Income and other taxes payable	3,699	4,445
Instalments on long-term debt due within one year	3,974	505
<b>Total current liabilities</b>	<b>31,076</b>	<b>25,837</b>
<b>Deferred income taxes</b>	<b>1,100</b>	<b>1,200</b>
<b>Long-term debt (note 3)</b>	<b>20,630</b>	<b>15,935</b>
<b>Minority interest</b>	<b>2</b>	<b>95</b>
<b>Shareholders' Equity</b>		
<b>Capital stock (note 4)</b>		
<b>Authorized:</b>		
First Preferred Shares		
Junior Preferred Shares redeemable at 1¢		
Class A non-voting participating shares		
Common shares		
<b>Issued:</b>		
	<u>Shares</u>	
Class A shares (1978—2,168,320)	2,460,466	5,574
Common shares	895,600	84
	5,658	2,043
<b>Retained earnings</b>	<b>30,454</b>	<b>28,152</b>
<b>Total shareholders' equity</b>	<b>36,112</b>	<b>30,195</b>
	<b>\$88,920</b>	<b>\$73,262</b>



# Peoples Jewellers Limited

## Consolidated statement of income

(000's omitted)

Year ended August 31	1979	1978
Sales	\$104,838	\$85,268
<i>Deduct:</i>		
Cost of merchandise sold and all other expenses except those listed below	84,976	71,724
Depreciation and amortization	3,202	2,320
Interest on long-term debt	1,765	671
Interest on bank indebtedness	833	928
	90,776	75,643
Income before provision for income taxes and minority interest	14,062	9,625
Provision for income taxes	6,500	4,326
Income for the year before minority interest	7,562	5,299
Minority interest share of U.S. loss	93	18
Net income for the year	\$ 7,655	\$ 5,317
Earnings per Class A and Common share (note 4(f))	\$ 2.34	\$ 1.74

## Consolidated statement of retained earnings

(000's omitted)

Year ended August 31	1979	1978
<b>Retained earnings</b> — beginning of year	\$28,152	\$23,937
<i>Add:</i>		
Net income for the year	7,655	5,317
	35,807	29,254
<i>Deduct:</i>		
Dividends (Notes 4 (d) and (e))		
— class A shares	3,821	779
— common shares	1,532	323
	5,353	1,102
<b>Retained earnings — end of year</b>	\$30,454	\$28,152

(The accompanying notes are an integral part of these statements)



**Consolidated statement of changes in financial position**

(000's omitted)

Year Ended August 31	1979	1978
<b>Funds were provided from:</b>		
Operations:		
Net income for the year	\$ 7,655	\$ 5,317
Add: Items which do not require an outlay of funds:		
Depreciation and amortization	3,202	2,320
Deferred income taxes	(100)	100
Minority interest share of U.S. loss	(93)	(18)
Share of Torcred Developments Limited (income) loss	(3)	6
	10,661	7,725
Increase in long-term debt	22,067	9,643
Issue of Class A Shares under rights offering (Note 4 (d))	3,551	—
Issue of Class A shares under option	64	51
Capital contribution by minority interest	—	113
<b>Total funds provided</b>	<b>36,343</b>	<b>17,532</b>
<b>Funds were applied to:</b>		
Purchase of fixed assets	3,961	6,576
Dividends (notes 4 (d) and (e))	5,353	1,102
Reduction of long-term debt	17,497	506
Loans to employees (net) (note 2)	49	(35)
<b>Total funds applied</b>	<b>26,860</b>	<b>8,149</b>
Increase in working capital	9,483	9,383
Working capital—beginning of year	25,306	15,923
Working capital—end of year	\$34,789	\$25,306

(The accompanying notes are an integral part of these statements)

To the Shareholders

Peoples Jewellers Limited

We have examined the consolidated balance sheet of Peoples Jewellers Limited as at August 31, 1979 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at August 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon &amp; Co.

Chartered Accountants

Toronto, Canada, October 5, 1979



## Notes to consolidated financial statements

August 31, 1979

**1. Summary of significant accounting policies****(a) Principles of consolidation**

The accompanying consolidated financial statements include the accounts of Peoples Jewellers Limited and its subsidiaries. Torcred Developments Limited, a 50% owned joint venture with a Canadian Chartered Bank, which owns an office building in Regina, is carried on an equity basis.

**(b) Inventories**

Inventories are stated at the lower of cost or net realizable value, using the retail inventory method. Under the retail inventory method, cost is calculated as selling price less normal gross margin.

**(c) Fixed assets and leasehold improvements**

Fixed assets are depreciated as follows:

Buildings	— 5% declining balance
Furniture and fixtures	—10% straightline
Electronic data equipment	—20% straightline
Automobiles	—30% declining balance

Leasehold improvements are amortized on a straight-line basis over the term of the lease plus one renewal period with the total term not exceeding fifteen years.

**(d) Income taxes**

The company follows the tax allocation method of providing for income taxes. Under this method, timing differences between reported and taxable income result in deferred taxes.

**(e) Exchange translation**

The company has adopted a policy for translating foreign currency transactions and foreign currency financial statements into Canadian dollars in these statements substantially as follows: inventories carried at cost, non-current assets, certain prepaid expenses and deferred income taxes, and related charges or expenses, at historical exchange rates; all other assets and liabilities, at year end exchange rates; income and expenses (other than those indicated above), at average exchange rates for the year.

Translation gains or losses are included in income except unrealized losses on long-term liabilities which are deferred and charged to income over the unexpired term of the debt. The deferred portion is reflected on the balance sheet as an asset.

**2. Loans to employees**

The company and its subsidiaries have made mortgage loans to certain officers (other than directors) and employees. The balance outstanding at August 31, 1979 amounted to \$500,000 of which \$171,000 was advanced

during the year. A loan of \$53,000 has been made to an officer of a U.S. subsidiary to assist with the purchase of shares in that company. These amounts are non-interest bearing and are due in instalments to 1989.

**3. Long-term debt**

(000's omitted)

	1979	1978
9½% debenture due December 31, 1988	\$ —	\$ 6,500
9.9% debenture due December 31, 1993 repayable in annual instalments of \$500,000 December 31, 1979 to 1988 and \$600,000 thereafter	8,000	—
10½% U.S. \$ debenture due December 31, 1993 repayable in annual instalments of \$100,000 U.S. (\$1,500,000 U.S.)	1,762	—
10¼% U.S. \$ notes due December 31, 1993 repayable in annual instalments of \$700,000 U.S. (\$10,500,000 U.S.)	12,305	—
9¼% mortgage payable due 1984	—	107
Other indebtedness assumed in connection with the acquisition of the United States assets (\$2,214,000 U.S.; 1978-\$8,536,000 U.S.)	2,537	9,833
	24,604	16,440
Less current instalments included in current liabilities	3,974	505
	\$20,630	\$15,935

Requirements for repayment of long-term debt amount to approximately \$3,974,000 for the year ending August 31, 1980 and \$1,437,000 for each of the fiscal years ending August 31, 1981 through 1984. The debentures and notes are secured by a fixed and floating charge on the company's properties.

Under the agreement securing the debentures and notes, there are various restrictions affecting the payment of dividends. At August 31, 1979, consolidated retained earnings not subject to such restrictions were approximately \$3,500,000.



#### 4. Capital stock, share options and earnings per share

##### (a) Capital stock changes

On January 22, 1979, by Supplementary Letters Patent, the Class A Convertible and Class B Convertible shares were re-classified as Class A shares with authorized capital of 8,000,000 shares of no par value and the Class C Convertible and Class D Convertible shares were re-classified as Common shares with authorized capital of 4,000,000 shares of no par value. In addition, a class of Redeemable Preferred shares was established with authorized capital of 300,000,000 shares with a par value of 1¢ each.

On August 30, 1979, the company elected to continue under the Canada Business Corporations Act and by Articles of Continuance, the authorized Class A and Common shares were changed to an unlimited number, the Redeemable Preferred shares were re-classified to an unlimited number of Junior Preferred shares with a redemption value of 1¢ each and a new class with an unlimited number of First Preferred shares was created.

##### (b) Capital stock provisions

Holders of Class A and Common shares may elect to receive stock dividends in lieu of cash, subject to the directors' declaring such dividends. The directors may declare such stock dividends in either Class A or redeemable Junior Preferred shares. Class A shares have a preference over Common shares for dividends to the extent of 15¢ per share. After the Common shares also receive 15¢ per share, the two classes participate equally. Junior Preferred shares rank above Common shares and Class A shares as to claims against the company's property at dissolution. First preferred shares rank above Junior Preferred shares as to dividends and claims against the company's property at dissolution.

##### (c) Share options

During the year, options for 8,100 Class A shares (including 900 to an officer) were exercised at \$8 for a total cash consideration of \$64,800. There were no options outstanding at August 31, 1979.

##### (d) Special dividend and rights offering

On November 27, 1978, the company paid a special dividend of \$1.25 per share to all shareholders. The special dividend on the Class B and Class D Convertible shares was paid out of the company's 1971 Capital Surplus. At the same time, rights were offered to each shareholder allowing the shareholder to purchase 1 Class A share in the company for every 10 shares held at a price of \$12.50. Rights were exercised to purchase 284,046 Class A Convertible shares for a total cash consideration of \$3,550,575.

##### (e) Quarterly dividends

In addition to the special dividend referred to in 4 (d), the company paid regular quarterly dividends of 10¢ per Class A and Common share in the first quarter and 12¢ per Class A and Common share in the final three quarters of the year. Under the Peoples Jewellers Optional Stock Dividend Plan, the directors have declared stock dividends in the form of Junior Preferred shares to shareholders who have elected to receive same under the plan. These Junior Preferred shares have then been immediately redeemed. Dividends paid were as follows: (000's omitted)

	Class A	Common
Special	\$2,719	\$1,120
Regular — Cash	886	298
— Stock	216	114
<b>TOTAL</b>	<b>\$3,821</b>	<b>\$1,532</b>

##### (f) Earnings per share

Earnings per share are based on the weighted average number of shares outstanding during the year.

#### 5. Commitments and contingent liabilities

A number of the company's store locations are leased under operating leases for periods from five to twenty years. Most of these leases are for minimum rentals and many contain percentage of sales clauses, and require the company to pay certain occupancy costs. The actual rental payments in the year amounted to \$7,944,000. The minimum annual rentals payable under all such leases currently in force for subsequent fiscal years are as follows:

1980	\$4,938,000
1981	4,789,000
1982	4,697,000
1983	4,279,000
1984	3,684,000
Subsequent years	13,052,000

#### 6. Other information

The company's twelve officers received \$1,381,600 remuneration as officers. The company had six directors, two of whom received a total of \$9,250 remuneration as directors. Four directors, who are also officers, received no remuneration as directors.





Reprinted from

*Canadian  
Jeweller*

Centennial Issue

October 1979

# Frank Gerstein: Jeweller of the Century

*Founder of Peoples Jewellers, pioneer of credit selling, Frank Gerstein has dominated the jewellery industry in this century. By Victor Paddy*

A watchmaker by trade and a silverware salesman by choice, Frank Gerstein peddled, worked and willed his way through the streets of North America in pursuit of success. He found it in Toronto two years before his 40th birthday and built it into an empire—the Peoples empire. Today, Peoples Jewellers has more outlets than any other jewellery chain in Canada and is one of the largest jewellery organizations in the world.

It took courage and tremendous confidence to introduce credit selling to a conservative industry and to millions of skeptical customers, but it proved to be a brilliant move that in time would reshape almost the entire jewellery trade's approach to doing business.

It took foresight and a keen social understanding to provide quality and style to people who thought they couldn't afford it. Gerstein sold only the finest diamonds, for example, and the luxury of his stores set a standard that other jewellers would follow. "Before Gerstein," it has been said, "the average jewellery store was designed like a grocery store. He was the first to show that an ordinary jewellery store should not look ordinary."

It took imagination and determination to turn a grandiose vision into the reality of Peoples during the '30s and '40s—a mass mover of jewellery on a national scale, a company that virtually created a market that previously had only been dreamt of within the industry.

This, then, was Frank Gerstein—a man of extraordinary conviction, a pioneering businessman, a great salesman, the jeweller who more than any other deserves to be called Canadian Jeweller of the Century.



**Frank Gerstein (1881-1957), Jeweller of the Century, shown with his wife Etta**

Born in Lithuania in 1881, Gerstein was raised by an aunt and uncle; with nine other children, his parents had found it too difficult to look after young Frank as well. At the age of 16, he emigrated to the United States, taking with him his skills as a watchmaker, an overriding ambition and little else.

Rather than working in a factory or for another jeweller, Gerstein took to peddling door-to-door, repairing watches and clocks. Later, because there was more profit and no investment in working for a company, he sold silverware—on credit—in a number of U.S. cities. He also spent several summers working in Can-

ada before moving north for good in 1917.

In Toronto, he continued to hone his considerable talent as a silverware salesman; at the same time, his desire to own his own business was growing. It took only a small incident to convince him that his time had come. It was Christmas 1918, and Frank Gerstein asked his employer for a cash advance to buy his wife a gift and take him through the holiday season. When his request was denied, he vowed he would never again depend on anyone else for his livelihood.

With \$500 borrowed from his brother-in-law, he opened Peoples Credit Jewellers at the corner of Yonge and Queen Streets on Oct. 3, 1919. *The Evening Telegram* of that Friday carried his first newspaper advertisement. Positioned next to an ad for Lydia E. Pinkham's Vegetable Compound, it aggressively invited Toronto to Peoples' grand opening. "Just a few cents a day from your pay" lured readers into the meat of the message, while two boxes within the ad reminded them that this was a jewellery store with a difference: "We deliver goods on the first payment. No fuss, no red tape, just the first down payment."

Though Peoples made an immediate splash in the industry, it was not quite what Gerstein had hoped for. Some suppliers refused to deal with a store called "Peoples"—perhaps they thought it sounded communist—and others were skeptical of the time payment plan. The public was more receptive, but even consumers were reluctant to be seen in a "credit" jewellery store. Pianos and sewing machines bought on time were acceptable, but silverware and watches? To protect their fragile social reputations, Gerstein ran his business at first more like a bootlegger than a jeweller. Customers often used the shop's back entrance to make payments or left with merchandise hidden in plain brown bags.

Though he now had his own store, Gerstein continued to do what he did best: sell silverware door-to-door. Setting himself a target of ten sets a day, he didn't return to the shop until he had sold his quota. Meanwhile, his wife looked after the store and took in the weekly payments. Eventually, his \$1-down and \$1-a-week customers created the traffic he was counting on. Once you've got a captive audience, you can capitalize on it, and Gerstein did, introducing other jewellery lines and using his salesmanship and credit concept to increase his customers' accounts.

He didn't have much money at the time, but he did have a great deal of business sense. Although he boasted in his newspaper ads about famous watch lines, his showcases often displayed only the watch cases, simply because he couldn't

afford movements for all of them. When a customer decided on a particular watch (case), Gerstein would take it into the back room "to regulate it," and there put in the movement.

Banks, of course, were a reliable source of capital, but to many bankers, Gerstein's operation seemed as unreliable as his collateral. Marvin Gerstein, Frank's son and the company's current vice-chairman, says his father's experiences with bankers were not always pleasant, but adds that Frank sold the bankers just as he sold his suppliers and his customers.

"My father once went into a bank with a group of sales contracts signed by customers wanting to buy silverware sets. The bank manager threw them on the floor saying, 'That's nothing, that's not security; they're only pieces of paper.'"

"But he sold that banker. To my father, a banker was another supplier—of money—just another cog in the wheel—an essential one, but still only a cog."

Frank Gerstein also sold jewellery during that first year—\$50,000 worth—and as his business grew, so did his ambition. In 1924, he opened his first branch store, in Hamilton, Ont., and within ten years had stores or offices in Ottawa, Montreal, Halifax, Calgary, Edmonton and Moncton, N.B.

"Frank Gerstein was a man with one

### **Jeweller of the Century —how he was chosen**

Frank Gerstein's name wasn't pulled out of a hat.

It took months of preparation, countless phone calls, 30 nominators, 45 nominations—eventually whittled down to ten finalists—and hundreds of ballots from coast to coast to select CANADIAN JEWELLER's Jeweller of the Century.

We think it was worth it. For the trade, the contest offered a reflective pause, an opportunity to retrace 100 years of people and the events they helped create. For those nominated (or their surviving families), it was a welcome pat on the back, a sincere thank you from the industry they worked so hard to build.

Of course, ten men don't make an industry. There have been many other individuals over the last 100 years who are equally deserving of recognition, but we simply couldn't include them all.

It is our belief, however, that Frank Gerstein and the other nine finalists, whose profiles appear on the following pages, dominated and shaped—through their businesses and their personalities—the Canadian jewellery industry and its development over the past 100 years.

purpose—to be a success and to create an empire," Marvin Gerstein says.

"Otherwise he would have followed the same pattern that other jewellers, both in the United States and in Canada, were following. When they wanted to open a second store, they went out to the city junction or to the east end. It was only in '62 that we had a second store in any one city in Canada. And if Frank Gerstein had followed his peers at that time, sure, he might have created a big Ontario jewellery business, but as it was, he went right across the country.

"As far back as the early '30s, he used the back page of the *Star Weekly* as a means of selling goods across Canada through a mail order department. He moved tremendous amounts of merchandise at a time when the concept of mass selling of jewellery products just wasn't done. If that's not building an empire, I don't know what is."

But Frank Gerstein wanted more than an empire; he wanted a home he could call his own.

Manny Godfrey, a Peoples employee and friend of Frank Gerstein's from 1935, says Gerstein was very anxious to establish a home for Peoples, "a base from which he could continue to grow." He was with Gerstein when Gerstein learned he was finally owner of the Yonge Street property in Toronto that he had rented for years.

"We were going from Toronto to Vancouver by train," Godfrey recalls. "I believe we were somewhere in the Brandon (Man.) area, and we stopped at a station. A telegram was delivered to Frank on the train, from his lawyer. When he read it, he looked at me and said, 'Manny, I've finally made it. We now own 181 Yonge St. There's no landlord ever going to kick me out now.'"

"In the back of his mind, I knew, was Smith's Drug Store. Smith had been right next door to us on Yonge Street, but had to vacate because the landlord wanted to raise his rent a ridiculous amount."

Did Gerstein celebrate his new property acquisition? "As a matter of fact, when we had dinner that night on the train, it was the first time I ever saw Frank take a second drink."

Gerstein built his business on the concept of credit, but he built his empire through his understanding of his customers—the lower to middle class mass of society. His stores were always lavishly furnished, with inlaid walnut showcases, fine wool rugs, expensive fixtures and lighting to create a comfortable and stylish buying atmosphere. And everything Frank Gerstein built, he built to last—even the entrance doors of his stores. "Make it solid," he would say. It was no wonder that the entrance to a Peoples outlet looked more like that of a bank



than a jewellery store. Why, he reasoned, should an individual, just because he or she was buying on credit, have to shop in a second or third-rate store? His salemen always wore jackets, and Gerstein himself always looked immaculate—everywhere—according to Marvin Gerstein.

“One of my dad’s favorite stories was about diamond quality. In those days, he only handled one quality of diamond, and that was the finest available on the market. He was always being questioned by his friends as to why. ‘You could sell a lower quality,’ they would argue. ‘No one would know the difference.’

“‘Sure,’ he would say. ‘Just as no one knows whether I change my underwear every day or not. But I know, and I’ve got clean underwear on every day.’”

His attention to appearance, to detail, and his singular dedication to the business were traits he expected of everyone who worked for him—even his family.

“I used to bite my nails,” Marvin Gerstein confesses, “and I remember cowering when my father came home, when we sat down to the dinner table. I knew he would look at me and say: ‘How can you sell diamonds with hands like that?’”

Gerstein also thought his employees should be as dedicated as he was, Godfrey remembers: “He sometimes wondered why they would want to leave the store, why they wouldn’t want to work nights there as he did. He always said: ‘It’s such a beautiful store to work in, and you’re selling jewellery!’”

If he expected a lot from himself, his

family and his employees, it was only natural that he would expect as much from his suppliers.

“He was a hard buyer. He was a hard seller,” Marvin Gerstein acknowledges. “But he was an honest man. He had great integrity. He may have been a hard man to do business with, but his suppliers made money with him and his customers got value.

“I don’t think any successful person can be a saint.”

When Frank Gerstein died in 1957 after a brief illness, Canada may not have lost a saint; what it did lose was one of its foremost businessmen, and its greatest jeweller. The watchmaker from Lithuania died as he had lived—a proud man. ♦



Bert Gerstein

### **Bert Gerstein: carrying on the family tradition of expansion and success**

Sometime before his father Frank died, Bertrand Gerstein promised him that he would expand the family business—Peoples Credit Jewellers—“from ten to 100 stores” during his period of leadership.

“What else can you offer but more of the same when you take over a successful business built by a gifted entrepreneur?” Bert Gerstein would later say.

Today, as chairman of a jewellery empire that spans two countries and more than 260 stores, the past president of the CJA, the 24 Karat Club and the Toronto District Jewellers Association need no longer concern himself with goals. As one well-known jeweller recently remarked: “The greatest thing you can say about

Bert Gerstein is success; that’s what everyone admires, and he was equally as successful as his father.”

Bert Gerstein was born in 1918, the son of one of Canada’s most innovative and successful jewellers, but he didn’t come into the world teething on a silver spoon. While his mother worked in the store and his father peddled silverware door-to-door, Bert slept in a crib in the store’s back room. And as soon as he was old enough, he went to work in the shop, wrapping parcels during Christmas and summer holidays, while saving enough leisure time to play on a championship basketball team. Although he began knocking on doors for his father in the summer of 1934, he didn’t enter the business full-time until 1938, following graduation with a political science degree from the University of Toronto.

As the company grew, so did Gerstein, and for some time before his father’s death in 1957, Bert ran the firm’s day-to-day operations. In the early ’60s, he shifted Peoples’ growth into shopping centres, charting a new and wide-open course of expansion for the company he now directed. He moved into shopping centres with the same aggressiveness his father had shown three decades earlier in his cross-Canada expansion.

“I was disappointed if I didn’t hear first from our local manager that a new shopping centre was going up, and developers soon recognized us as eager tenants who wanted a prime location.”

Asked how he chose prospective Peoples locations, he once quipped: “We have the finest research organization in the country—Simpsons, Eaton’s and The Bay. If it’s good enough for them, it’s good enough for us.”

In the early ’60s, Gerstein and his brother Marvin (currently vice-chairman of Peoples), began to look around for an opportunity to diversify into the carriage trade end of the market. Eventually, they bought out the Mappin’s operation in Montreal and later the J. Alex MacKenzie chain in western Canada.

“We spent five years learning the fine jewellery business, and one of the first principles we laid down was that the two of our operations had to be completely separate, because we couldn’t build the carriage trade if those shops bought from the same suppliers as the Peoples stores.”

Gerstein’s work in the industry at large, particularly with the CJA and the Canadian Jewellers Institute, has been remarkable. A man who worked closely with him said, “The thinking that he put into our association was, I think, clearer and more concise than anyone I have ever worked with.”

As a director of the CJA, and later as its president (in 1956), Gerstein, along with Fred Belsham and others, rode the rails from coast to coast. Off the train in Winnipeg, Regina or any of dozens of large and small cities, they would spend a full day lecturing and talking to jewellers before heading off for the next stop. It was all part of a scheme to take the association to the jeweller, and through the efforts of Gerstein, Belsham and others, these presidential tours played a significant role in bringing Canadian jewellers closer together.

Today, Gerstein, now 61 and chairman of Peoples, has left the bulk of the firm’s day-to-day operations in the hands of his son, Irving. He’s also left Irving with the same problem his father left him: how do you follow an act like that? ♦





## PEOPLES JEWELLERS LIMITED

### Notice of the Annual Meeting of Shareholders

NOTICE IS HEREBY GIVEN that the annual meeting of shareholders of the Corporation will be held in the Board Room of National Trust Company, Limited, Third Floor, 21 King Street East, Toronto, Ontario on November 29, 1979, at the hour of 2:30 o'clock (Toronto time) in the afternoon, for the following purposes:

1. Receiving the Annual Report, the Financial Statements for the year ended August 31, 1979 and the Report of the Auditors;
2. Electing Directors;
3. Appointing Auditors; and
4. Transacting such other business as may properly come before the meeting or any adjournments thereof.

DATED at Toronto, this 7th day of November, 1979.

By Order of the Board  
Phyllis McAllister, Secretary

---

Shareholders who do not expect to attend the meeting in person are requested to complete, date and sign the enclosed proxy form and return it promptly to the Secretary of the Corporation in the enclosed return envelope.

---

### Information Circular

#### Solicitation of Proxies

This information circular is furnished in connection with the solicitation by the management of Peoples Jewellers Limited (the "Corporation") of proxies to be used at the Annual Meeting of Shareholders of the Corporation to be held at the time and place and for the purposes set forth in the above Notice of Meeting. It is expected that the solicitation will be by mail. The cost of solicitation by management will be borne by the Corporation.

#### Appointment and Revocation of Proxies

The persons named in the enclosed proxy form are directors of the Corporation. **A shareholder desiring to appoint some other person, who need not be a shareholder, as his proxy to represent him at the meeting may do so** either by inserting the proxy's name in the blank space provided in the enclosed proxy form or by completing another proxy form; such a shareholder should notify the person of his appointment, obtain his consent to act as proxy and instruct him on how the shareholder's shares are to be voted. In either case the proxy form should be dated and must be executed by the shareholder or his attorney authorized in writing. To be effective, proxies must be deposited with the Secretary of the Corporation.

A proxy may be revoked, as to any motion on which a vote has not already been cast pursuant to the authority conferred by it, by instrument in writing executed by the shareholder or by his attorney authorized in writing and deposited either at the head office of the Corporation at any time up to and including the last business day preceding the day of the meeting or any adjournments at which the proxy is to be used, or with the chairman of the meeting on the day of the meeting or any adjournments.

## Voting of Proxies

Each shareholder may instruct his proxy how to vote his shares by completing the blanks on the proxy form. Such instructions will be followed in respect of any shares represented by properly executed proxy forms in favour of the persons named in the printed portion of the enclosed proxy form. Shares represented by properly executed proxy forms will be voted or withheld from voting in accordance with the instructions made on the proxy forms. In the absence of such instructions, such shares **will be voted for the election of directors and the appointment of auditors as stated under those headings in this circular.**

**The enclosed proxy form also confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, or other matters not identified which may properly come before the meeting.** At the date of this circular the management of the Corporation knows of no such amendments, variations or other matters to come before the meeting.

## Voting Shares and Principal Shareholders

Holders of record of Common Shares will be entitled to vote at the Annual Meeting, and will be entitled to one vote for each Common Share held.

At the date of this circular, the Corporation has outstanding 895,600 Common Shares.

To the knowledge of the directors and officers of the Corporation, the following are the only persons or companies who beneficially own, or exercise control or direction over, shares carrying more than 10% of the votes attached to the Common Shares of the Corporation:

<u>Name of Shareholder</u>	<u>Approximate No. of Common Shares</u>	<u>Percentage of Outstanding Common Shares</u>
Cargai Investments Limited (through CAMF Holdings Limited)	168,350	18.8%
Bertrand Gerstein (personally and through Glenoak Investments Limited)	298,788	33.4%
Marvin Gerstein (personally and through Dewbourne Investments Limited)	296,228	33.1%

## Election of Directors

Under the Corporation's charter documents, the number of directors on the Board may range from a minimum of five to a maximum of twelve. The number of directors is currently fixed at six. Directors are elected annually. The term of office of each of the following proposed nominees will expire at the next Annual Meeting of the Shareholders of the Corporation or when a successor is duly elected or appointed. It is the intention of the persons named in the enclosed proxy form, unless instructed otherwise, to vote for the election of each proposed nominee listed below as a director. The proposed nominees are currently directors of the Corporation and have held such office since the dates indicated below.

**The management of the Corporation does not contemplate that any of the proposed nominees will be unable to serve as a director but, if that should occur for any reason prior to the meeting, proxies in favour of management may be voted for another nominee in their discretion unless the shareholder has specified in the proxy that his shares are being withheld from voting in the election of directors.**



The following table indicates the names of the six proposed nominees, their present principal occupations or employment, all other positions and offices with the Corporation now held by them, if any, the date they were first elected and the approximate number of shares of the Corporation beneficially owned or over which control or direction is exercised by them, as at October 19, 1979, according to the information furnished by them to the Corporation.

Proposed Nominee	Principal Occupation	Became a Director	Shares in the Corporation	
			Class A	Common
Bertrand Gerstein	Chairman of the Board	1938	116,416	16
Marvin Gerstein	Vice-Chairman of the Board	1949	128,966	55,228
*Irving R. Gerstein	President	1964	16,976	2,040
*Sydney M. Hermant	Chairman, Imperial Optical Company Limited, ophthalmic manufacturers	1973	20	200
*Robert A. Kingston, Q.C.	Partner in the law firm of Blake, Cassels & Graydon	1973	2,220	200
Phyllis McAllister	Secretary of the Corporation	1977	9,736	3,640

\* Member of Audit Committee

Glenoak Investments Limited, a family holding company and an associate of Bertrand Gerstein, is the beneficial owner of 275,256 Class A and 298,772 Common Shares of the Corporation. Dewbourne Investments Limited, a family holding company and an associate of Marvin Gerstein, is the beneficial owner of 299,819 Class A and 241,000 Common Shares of the Corporation.

### Directors' and Officers' remuneration from the Corporation and its subsidiaries

Information respecting remuneration and benefits of Directors and Officers

For the Year Ended August 31, 1979  
Nature of Remuneration Earned  
From the Corporation (1)

	Directors' Fees	Salaries	Bonuses	Non-accountable expense all.	Others	Total
Remuneration of Directors as such (Total Number: 6)	\$ 9,250	—	—	—	—	\$ 9,250
Remuneration of Officers, as such, receiving over \$40,000 (Total Number: 10)	—	\$1,256,800	\$ 72,000	—	—	\$1,328,800
Totals	\$ 9,250	\$1,256,800	\$ 72,000	—	—	\$1,338,050

(1) No remuneration was paid to directors or officers by wholly- or partially-owned subsidiaries of the Corporation.

## Directors and Officers Liability Insurance

The Corporation maintains insurance for the benefit of the directors and officers of the Corporation and its subsidiaries, and for the benefit of the Corporation and its subsidiaries. Directors and officers are insured against liabilities incurred as such, and are also entitled to indemnification to the extent permitted under the by-laws of the Corporation or its subsidiaries. The Corporation and its subsidiaries are insured against liabilities incurred under the indemnifications. The policy runs for three years to February, 1982, at a prepaid total premium of \$12,000, all of which is borne by the Corporation. The policy contains a 5% co-insurance clause and retention or deductibility provisions (for directors, \$5,000 per director and \$20,000 overall; for the Corporation, \$20,000). The policy limits are \$1,000,000 per loss or in the aggregate in each year of the policy.

## Indebtedness of Senior Officers

The following officers were indebted to the Corporation or a subsidiary in respect of non-interest bearing loans from the period September 1, 1978 to date:

<u>Officer</u>	<u>Largest Balance During the Period</u>	<u>Present Balance</u>
D. E. Bridgman, Toronto	(1) \$ 1,484	\$ —
	(2) 10,000	8,000
A. T. Lee	(2) 23,850	20,200
F. E. Metter, Toronto	(2) 31,600	28,600
D. C. Penney, Toronto	(2) 31,350	26,850
J. T. Roddy, Toronto	(1) 12,938	—
	(2) 57,000	46,750

(1) On account of a loan to purchase shares of the Corporation.

(2) On account of a loan to finance his home for which a ten year non-interest bearing mortgage was taken as security.

## Pension Plan

The estimated aggregate cost to the Corporation in the last financial year of all pension benefits proposed to be paid to the directors and officers of the Corporation under existing pension plans in the event of their retirement at normal retirement age was \$16,198.

## Options to Purchase Shares

Since September 1, 1978 to date an option for 900 Class A shares at a purchase price of \$8 was exercised by an officer. The market price of these shares during the thirty day period before this purchase ranged between \$12 and \$14.

## Appointment of Auditors

The persons named in the accompanying proxy form intend to vote for the reappointment of Clarkson, Gordon & Co., Chartered Accountants, Toronto as auditors of the Corporation. Clarkson, Gordon & Co. were first appointed as Auditors of the Corporation on June 22, 1966.

---

The contents and sending of this Information Circular have been approved by the Directors of the Corporation.

October 19, 1979

Phyllis McAllister, Secretary